

# A Study of the Impact of the Implementation of the New Revenue Standards on Audit Quality

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**Abstract:** Since January 1, 2018, the new Accounting Standard for Business Enterprises (ASBE) No. 14 - Revenue has been applied in the listed businesses of “A+H” shares. Based on data from Chinese listed firms from 2015 to 2019, the paper employs the double difference model for regression to investigate the impact mechanism of the new revenue standard implementation on audit quality from the perspective of external information users. The empirical analysis concludes that implementing the new revenue standard improves audit quality; that implementing the new revenue standard improves accounting information comparability; and that accounting information comparability acts as a moderator between the new revenue standard and audit quality.

**Keywords:** New Revenue Standards; Audit Quality; Comparability of Accounting Information

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## 1. Introduction

Market demand has varied as the economy grows, and new industries and business models have evolved. Meanwhile, in 2014, the International Accounting Standards Board (IASB) and the American Accounting Standards Board (AASB) collaborated to update and publish a new revenue standard. As a result, there is a widespread trend to innovate the revenue standard and create a revenue standard that is more market-oriented and aligned with worldwide standards. China formally issued a new revenue standard on July 5, 2017, requiring enterprises listed both domestically and internationally, as well as enterprises listed abroad, to implement the new revenue standard by January 1, 2018; enterprises listed domestically must implement it by January 1, 2020. The new revenue standard has been in effect in China since July 5, 2017, and is set to be fully implemented by the end of this year. The new revenue requirement is scheduled to go into effect by the end of this year. The practical application of accounting standards and the examination of the consequences has become a hot topic of general interest in theoretical and practical circles.

Accounting standard issue or change can have an impact on the quality of accounting information, which in turn affects the users of the information (Zeff, 1978). Existing research on new revenue rules for external information users concentrates on stock crash risk and analyst estimates, with nothing done in the auditor's domain. Audit quality is an essential topic in auditing research, and high-quality auditing is crucial for strengthening CPAs' professional reputations, playing a significant part in the market economy's operation mechanism, and supporting the efficient allocation of resources.

The new revenue standard differs significantly from the old standard and offers numerous benefits. To begin, the time and scope of determining revenues have been defined in greater detail and clarity, a visual and imaginative model in the process of determining revenues has been established, and the method of determining revenues in accordance with the actual progress of the contract has been proposed, which not only clarifies the responsibilities and rights, but also better reflects the nature of the subject's economic activities. Second, the accounting topic must disclose and show facts in more depth. The new revenue standard expands the scope of financial reporting presentation by including unrealized gains, profits, and losses, as well as allowing enterprises to make retrospective adjustments to balance sheet items. This helps to alleviate some of the problems caused by uncertainty in revenue recognition and measurement. Based on this, the implementation of the new

revenue standard reduces enterprise accountants' discretion in determining revenue, and management's manipulation of financial statements has been suppressed to some extent, with auditors collecting higher-quality information and facing lower audit risks, and audit quality will also be affected.

Can changes in the quality of accounting information caused by new revenue standard revisions have an additional impact on audit quality? What impact do the new revenue standard adjustments have on audit quality? The article's study is centered on these two questions. Using data from listed companies in China from 2015 to 2019, the article employs the double difference model to investigate the mechanism of the impact of the new revenue standard implementation on audit quality, in order to provide a reference for the development and improvement of accounting standards, as well as the improvement of the efficiency and quality of accounting firms' work.

The article's primary contribution can be seen in three areas: first, the majority of research to date has focused on the application and consequences of revenue accounting standards from 2006, and there are comparatively few studies that address the application and consequences of the new revenue standards from 2017. By examining the adoption and effects of certain standards in 2017, the paper contributes to the body of knowledge regarding the effects of the implementation of accounting standards. Second, it enhances the body of knowledge regarding the effects of accounting standards on firms' external information users by analyzing the mechanism of the new revenue standards on audit quality, starting from the auditors' perspective. Thirdly, China is currently revising its accounting rules on an ongoing basis. This is necessary to ensure that the standards keep up with the trend of market development. This article examines how modifications to accounting standards affect audit quality, which has practical implications for enhancing the effectiveness and caliber of work produced by accounting firms in real operations.

## **2. Literature Review and Hypothesis Formulation**

### **2.1 Literature Review**

#### **2.1.1 Impact of Changes in the New Revenue Standard**

Scholars primarily concentrate on three areas on the influence of the new revenue standard: surplus management, quality accounting information, and statement presentation issues. Ma Yongyi (2021) concluded that the new revenue standard will significantly affect the balance sheet of the company after examining the new leasing, financial instruments, and income criteria. Scholars studying the quality of accounting information, such as Feng Bingchun (2017), suggested that the new revenue standard adopt a five-step alternative that lowers the likelihood of financial fraud by the company. This reduces the possibility of financial fraud and has a significant impact on the operating performance of the company, which helps to improve the quality of accounting information in China. According to Lou Juan (2021), the new revenue standard is based on the identification of contractual obligation performance, with control as the core, and incorporates all types of network company activity in the revenue recognition model, increasing accounting information comparability. Sun Ye (2017) observes that the new revenue norm will present various obstacles to the regulation of accounting disclosure of publicly traded companies, significantly expanding the room for companies to control their excess and making regulation more difficult. However, according to Yi Biwen's (2022) empirical study, after the implementation of the new revenue standard, the level of surplus management of listed companies has been reduced, and the quality of accounting information has been improved, and the new revenue standard can play a positive role in improving the quality of accounting information and maintaining the stock market's smooth development.

#### **2.1.2 Impact of Audit Quality**

Domestic and international studies on the impact of audit quality have concentrated on the internal environment of organizations, the external environment of enterprises, and the size of accounting firms. Francis (1984) shown in the internal environment that there is a considerable positive association between the degree of governance of listed businesses and audit quality. A high level of governance in an audited organization frequently indicates that its governance structure is sound, which reduces the likelihood of events such as human manipulation and thus improves audit quality. The empirical analysis of Ling et al. (2022) shows that digital transformation can reduce audit risk in terms of internal control optimization and information disclosure; Zhai, Huayun et al. (2022) use a multi-temporal DID model and find that a company's digital transformation can increase information transparency and reduce risk, thus improving audit quality. In terms of the company's

external environment, Peng Wu et al. (2017) discovered that after a financial restatement, corporations pay greater attention to audit quality and recruit competent accountants, sending a favorable signal to society. According to Yurong Wang (2008), if a company is warned by the China Securities Regulatory Commission for financial restatement, the company's audit quality will be better this year than last year due to external pressure, indicating a strong correlation between audit quality and customer characteristics.

## **2.2 Hypothesis Development**

### **2.2.1 Implementation of New Revenue Standards and Audit Quality**

High-quality auditing can reduce managers' intentional reporting bias, and audit quality can be specifically expressed in the supervision of listed companies' surplus management behavior, and the reduction of corporate surplus management behavior will improve audit quality (Cheng Meng, Liu Ruizhi, 2016).

The implementation of the new revenue norm has resulted in a reduction in surplus management by businesses. First, the transfer of control substitutes the risk-reward transfer. Revenue recognition was more difficult under the previous revenue standard. It was more from the perspective of the enterprise since it was acknowledged on the condition that risks and rewards were transmitted to customers, but all parties had varying levels of comprehension of the depth of the notion of risks and rewards. The new revenue criterion takes the customer's perspective into account more, uses whether the client is controlled as a foundation for judgment, and places a greater emphasis on the role of commercial credit. The transfer of control of goods is a clearer method of recognition, prompting a more objective method and point in time of revenue recognition, as well as a more accurate method of revenue recognition, which can effectively restrain enterprise management's behavior to carry out surplus management through the change of the point in time of revenue recognition and the method of recognition. Second, create a five-step plan that is consistent. The five-step process necessitates the following conditions for revenue recognition: identifying the contract; identifying the various performance duties; determining the transaction price; and allocating the transaction price. Without any of these conditions, revenue cannot be recognized. This model incorporates revenue recognition into the contract, emphasizes the contract's importance in the transaction, quantifies the concept of revenue in terms of the contract, and provides a detailed explanation and business treatment of the entire process, from contract definition, formulation, and implementation to disposal and modification. The transaction activities of enterprises and the responsibilities assumed by the clear and intuitive contract form, corporate accounting policies and accounting estimates to choose more consistent, reduce certain enterprises based on opportunism to fraud and forgery, harm the interests of other parties, to maintain the fairness and impartiality of the two sides of the transaction, to effectively reduce the surplus management behavior. Third, the new revenue standard establishes broader requirements for the scope of presentation and disclosure, and the content is richer, specifically involving enterprise accounting policy, financial data, revenue recognition, social responsibility fulfillment, and other aspects. This is favorable to improving the quality of accounting information and increasing information transparency, hence better restraining accountant conduct and minimizing surplus management behavior. According to certain research findings, the greater the degree of information disclosure, the lower the degree of corporate excess management (Ye Kangtao, Liu Jinyang, 2021). As a result, the newly amended revenue standard is more explicit in its presentation and disclosure requirements, which can effectively control firms' surplus management conduct.

In summary, compared with the old standard which is more general and vague, the new revenue standard is more standardized and strict for the measurement and recognition of revenue, and the boundaries of the time and scale of revenue recognition are clearer, which reduces the possibility of enterprises using surplus management methods that damage the quality of accounting information, such as falsification of financial information, in order to satisfy their personal interests (Yi Biwen, 2022), and reduces the discretionary power of the accountants, thus improving the quality of accounting information of the enterprises in the aspect of revenue recognition and improving the quality of audit. Increase the quality of enterprise accounting information, allowing auditors to make more accurate professional judgments, collect more reliable information, reduce audit risk, and thereby increase auditing quality. Based on this, hypothesis 1 is proposed:

H1: The implementation of the new revenue standard is conducive to improving the quality of audits.

### **2.2.2 Implementation of New Revenue Standards, Comparability of Accounting Information and Audit Quality**

The auditor usually assesses the risk of the audited entity to perform audit procedures under the audit risk-oriented model, and this process requires the auditor to better detect whether there are material misstatements in the financial reports by

obtaining high-quality audit evidence, and obtaining high-quality audit evidence requires the accountant to obtain as much reliable information about the audited entity as possible. When an auditor performs audit procedures on a company, he or she must not only check internal information such as the company's financial statements and related certificates, but also external data such as the operating conditions of other companies in the same industry and external analysis reports. However, in the day-to-day operation of a business, there is a principal-agent relationship between the board of directors and the management, which leads to the possibility that the management will act against the interests of the owner in order to gain benefits, which is known as the "agency problem". Because of agency issues, as well as traditional revenue standards in the recognition of revenue concepts and other issues, management may find it more convenient to fictionalize, alter, or falsify financial statements, resulting in differences in accounting policies and accounting treatments between different enterprises. Due to the existence of such differences and the imperfections of traditional accounting standards, auditors frequently find it difficult to analyze and judge whether the audited entity's financial position and operating results are true or not by obtaining information from other enterprises in the same industry, thereby affecting the audit's quality.

The new revenue standard no longer differentiates between different business types such as sales of goods and provision of services, but instead bases revenue recognition on contract identification and incorporates different business types into the five-step model, reducing the difficulty for enterprises to differentiate between different business types in order to adapt to different revenue standards and, to some extent, improving financial reporting comparability. According to IFRS 15, "International Reporting Standard 15-Revenue from Contracts with Customers", the new revenue standard removes practice discrepancies and enhances comparability across organizations, industries, and reporting periods. The publication of the new revenue standard compensates for some of the shortcomings of the previous standard; the five-step model strictly stipulates the point and manner of revenue recognition, contract measurement, which to some extent improves the quality of corporate information, maintains the business accounting needs of current market enterprises, and the convergence of international accounting standards with stronger comparability (Jia Yanqin, Chen Xiaoyuan, 2019). In auditing, financial information with higher comparability can help auditors better interpret the audited entity's financial statements by referring to the information disclosed by the company, and can be compared with information from other different enterprises in the same industry to obtain private information not disclosed by management, to better identify problems, and to reduce the possibility of fraudulent financial statements being manipulated by the company. Based on this, hypothesis 2 is proposed:

H2: Comparability of accounting information mediates the relationship between the new revenue standard and audit quality.

### **3. Research Design**

#### **3.1 Sample Selection and Data Sources**

The article selects the data of listed companies from 2015 to 2019, and the policy is implemented in "A+H" listed companies from 2018, so 2015 to 2017 is before the implementation of accounting standard policy, and 2018 to 2019 is after the implementation of the policy. The article screens the samples as follows: (1) excluding the financial industry; (2) excluding the samples with serious missing data; (3) excluding the \*ST and ST sample enterprises, and finally obtains 7511 observations. Meanwhile, the article shrinks all continuous variables, and the data used are from the Cathay Pacific (CSMAR) database, and the data processing software is Stata 16.0.

#### **3.2 Definition of Variables**

##### **3.2.1 Explained Variables**

The explanatory variable is audit quality (absDA). Drawing on Yang Mingzeng (2018), the modified Jones model is used to calculate manipulative accrued profits, and then the absolute value is taken to measure the level of surplus management, and the smaller the level of surplus management, the higher the quality of auditing, i.e., the level of surplus management is an inverse indicator of audit quality.

##### **3.2.2 Explanatory Variables**

The explanatory variables are a dummy variable for firms implementing the new revenue standard (Treat) and a dummy

variable for when the policy is implemented (Post). The new revenue standard was firstly implemented in “A+H” companies on January 1, 2018, and the enterprises implementing the new revenue standard (Treat) take 1 for “A+H” listed companies, otherwise take 0. The beginning of the implementation of the policy (Post) takes 1 for 2018 and later. The policy implementation (Post) for 2018 and later will be taken as 1, otherwise it will be taken as 0.

### 3.2.3 Mediating Variables

The mediating variable is accounting information comparability (CompAcct4). Referring to De Franco et.al (2011) measure of comparability of accounting information, it is measured by calculating the comparability of accounting information of individual firms in the industry with all the firms they are paired with and ranking them in descending order, selecting all the firms in the industry and averaging them, and then selecting the highest ranked top four and averaging them to obtain CompAcct4.

### 3.2.4 Control Variables

Based on the reference to the existing literature, the control variables were selected as gearing ratio (LEV), profitability (ROA), firm size (SIZE), audit opinion (Opinion), nature of ownership (Soe), year dummy variable (YEAR), and industry dummy variable (IND).

Table 1 Definition of variables

Variable type	variable name	Variable symbol	Variable Definition
explanatory variable	Audit quality	absDA	Absolute value of manipulable accrued profits
explanatory variable	Dummy variables for enterprises implementing the new revenue standard	Treat	1 for “A+H” listed companies, 0 otherwise.
	Dummy variable for year of policy implementation	Post	1 for 2018 and beyond, 0 otherwise
intermediary variable	Quality of accounting information	CompAcct4	De Franco et al. (2011) model calculations
control variable	gearing	LEV	Total liabilities of the enterprise/total assets of the enterprise
	profitability	ROA	Net profit/average annual total assets
	Company size	SIZE	Natural logarithm of total assets
	Audit opinion	Opinion	1 for issuing a standard unqualified opinion, 0 otherwise
	Nature of property rights	Soe	1 for SOEs, 0 otherwise
	Annual dummy variables	year	Year dummy variable
	Industry dummy variables	ind	Industry dummy variables

## 3.3 Modeling

To test the impact of the new revenue standard change on audit quality, the article constructs the following model:

$$abcDA_{i,t} = \alpha_0 + \alpha_1 Treat_{i,t} * Post_{i,t} + \alpha_2 Controls_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$Compact4_{i,t} = \beta_0 + \beta_1 Treat_{i,t} * Post_{i,t} + \beta_2 Controls_{i,t} + \varepsilon_{i,t} \quad (2)$$

$$absDA_{i,t} = \gamma_0 + \gamma_1 Treat_{i,t} * Post_{i,t} + \gamma_2 Compact4_{i,t} + \gamma_3 Controls_{i,t} + \varepsilon_{i,t} \quad (3)$$

Model (1) tests the impact of the implementation of the new revenue standard on audit quality by Treat \* Post A dummy variable for firms implementing the new revenue standard (Treat) and a dummy variable for the year of policy implementation (Post). The interaction term of  $\alpha_1$  significant and negative, then it indicates that the implementation of the

new income standards can reduce the level of surplus management, thus improving the quality of the audit, to test hypothesis 1. model (2) to test the impact of the implementation of the new income standards on the quality of accounting information, if  $\beta_1$  significantly positive, it indicates that the implementation of the new income standard can improve the comparability of accounting information. If there is a mediation effect, model (2) of the  $\beta_1$  with model (3) is significantly positive, then it indicates that the implementation of the new revenue standard can improve the comparability of accounting information.  $\gamma_2$  The product of model (3) with the  $\gamma_2$  sign are consistent and positive, i.e., accounting information comparability plays a mediating effect between the new revenue standard and audit quality, testing Hypothesis 2.

## 4. Empirical Analysis

### 4.1 Descriptive Statistics

According to the descriptive results of the variables in Table 2, the sample audit quality (absDA) has a minimum value of 0.01, a maximum value of 0.324, and a standard deviation of 0.065, which indicates that all firms are engaged in surplus management behaviors, but with a large variation. The mean value of 0.064 indicates that the implementation of the new revenue standard has led to changes in revenue recognition, and this change has a greater impact on firms' accrued profits. The mean value of Comparability of Accounting Information (CompAcct4) is -0.003, which indicates that the comparability among listed companies is not high. In addition, SIZE, which is the size of the company, has a maximum value of 26.380 and a minimum value of 20.450, indicating that there is not much difference in size between companies. The gearing ratio (LEV) has a maximum value of 0.869, a minimum value of 0.070, and a mean value of 0.442, indicating that the company's gearing ratio is relatively high and there is a high financial risk.

Table 2 Descriptive statistics of the main variables

variant	sample size	average value	(statistics) standard deviation	upper quartile	minimum value	maximum values
absDA	7511	0.064	0.065	0.044	0.001	0.324
Treat	7511	0.412	0.492	0.000	0.000	1.000
Post	7511	0.013	0.115	0.000	0.000	1.000
CompAcct4	7511	-0.003	0.003	-0.002	-0.017	-0.001
LEV	7511	0.442	0.196	0.436	0.070	0.869
ROA	7511	0.036	0.059	0.034	-0.258	0.191
SIZE	7511	22.730	1.256	22.540	20.450	26.380
Opinion	7511	0.980	0.139	1.000	0.000	1.000
Soe	7511	0.099	0.299	0.000	0.000	1.000

### 4.2 Correlation Analysis

Correlation analysis reveals that the correlation coefficients of the majority of the explanatory variables are less than 0.5, with all of them falling between -1 and 1, showing that there is no substantial covariate connection between the variables, and the correlation grows as the absolute value increases. The dummy variable Post of new revenue standards implementation is significantly negatively correlated with the level of surplus management, and audit quality acts as an inverse indicator of the level of surplus management, so the new revenue standards and audit quality are significantly positively correlated at the 1% level, which preliminary satisfies Hypothesis 1. The implementation of the new revenue standards is positively correlated with the comparability of accounting information at the 1% level, and the comparability of accounting information and the quality of auditing are also at the 1% level. The new revenue standard implementation is positively related to accounting information comparability at the 1% level, and accounting information comparability is also positively related to audit quality at the 1% level, and accounting information comparability plays a mediating role between the new revenue standard and audit quality, which initially satisfies Hypothesis 2. In addition, the audit quality is positively related to the gearing ratio, and the higher gearing ratio enables auditors to make judgments about the audit risk, which leads to greater prudence in their business activities. Firms with higher financial risks tend to be emphasized by auditors and regulators, which leads to more resources

in auditing and thus more audit evidence, accounting information, and audit quality. Also the control variables show a correlation with audit quality, indicating that it does have some degree of influence on audit quality. The initial test hypotheses are all passed and more reliable evidence needs to be presented in the regression analysis.

Table 3 Correlation analysis table

	absDA	Treat	Post	CompAcct4	LEV	ROA	SIZE	Opinion	Soe
absDA	1	-0.102***	-0.065***	-0.066***	0.037***	-0.007	-0.052***	-0.085***	-0.019*
Treat	-0.098***	1	0.140***	-0.106***	0.020*	0.016	0.082***	-0.044***	0.002
Post	-0.056***	0.140***	1	-0.107***	0.081***	-0.006	0.177***	0.016	0.046***
CompAcct4	-0.124***	-0.094***	-0.101***	1	-0.390***	0.179***	-0.408***	0.097***	-0.058***
LEV	0.056***	0.018	0.079***	-0.342***	1	-0.410***	0.585***	-0.055***	0.080***
ROA	-0.184***	-0.033***	0.005	0.288***	-0.318***	1	-0.053***	0.130***	-0.038***
SIZE	-0.072***	0.080***	0.248***	-0.360***	0.582***	0.017	1	0.020*	0.117***
Opinion	-0.105***	-0.044***	0.016	0.157***	-0.060***	0.221***	0.027**	1	0.015
Soe	-0.022*	0.002	0.046***	-0.058***	0.079***	-0.010	0.105***	0.015	1

**Note:** The Pearson correlation coefficients are shown in the lower left corner of the table and the Spearman correlation coefficients in the upper right corner; \*\*\*, \*\*, \* are tabulated, respectively, shown to be statistically significant at the 1%, 5% and 10% levels, below.

### 4.3 Regression Analysis

Table 4 presents the relationship between new revenue standards and audit quality. The regression coefficient of Treat\*Post in column (1) is negative and significant at both 1% and 10% levels, and audit quality is a reverse indicator of surplus management level, indicating that the audit quality of A+H listed companies that have implemented the new revenue standard is improved compared with those that have not implemented the new revenue standard, which verifies hypothesis 1. The reason may be that the implementation of the new revenue standard makes the disclosure of information of listed companies more comprehensive and available, which helps the auditor to find and check the problems in the financial reports, thus improving the efficiency and effectiveness of auditing.

The negative product of the coefficients of Treat\*Post in column (2) and CompAcct4 in column (3) is consistent with the sign of the coefficient of Treat\*Post in column (3), indicating that comparability of accounting information exerts a mediating effect between the new revenue standard and audit quality, and Hypothesis 2 is tested.

Table 4 Regression analysis table

	(1)	(2)	(3)
VARIABLES	absDA	CompAcct4	absDA
Treat*Post	-0.0154*** (-4.401)	0.0015*** (4.816)	-0.0202*** (-5.491)
CompAcct4			-2.7772*** (-7.776)
control variable	containment	containment	containment
Constant	0.0975*** (10.751)	0.0111*** (13.069)	0.0760*** (8.556)
Observations	7,511	7,511	7,511
R-squared	0.090	0.378	0.104
year & ind	YES	YES	YES

## 5. Robustness Tests

In order to test again the reliability of the underlying regression results, the article performs the following robustness tests.

## 5.1 Substitution of Explanatory Variables

In the main regression test of the article, the absolute value of manipulable accrued profits is used to measure audit quality, considering that the difference of the measurement index also has an impact on the regression results, so the article adopts the replacement of the measurement of audit quality for regression. Referring to the method of Zhao (2022), the international Big Four accounting firms have been established for a long time and have high credibility, so the international Big Four accounting firms are used as a proxy for high audit quality. If the audit report is issued by the Big 4 it is 1, otherwise it is 0. It is represented by absDA2, and a positive absDA2 coefficient indicates that the implementation of the new revenue standard is conducive to improving audit quality. The re-regression results are shown in Table 5.

The results in Table 5 show that replacing the measure of audit quality, the implementation of the new revenue standard in column (1) is significantly and positively related to audit quality at the 1% level, the product of the coefficients of Treat\*Post in column (2) and CompAcct4 in column (3) is positive, and the sign of the coefficient is consistent with the sign of the coefficient of Treat\*Post in column (3), and there is a mediating effect between the new revenue standard and the audit quality in the comparability of accounting information. There is a mediating effect between the new revenue standard and audit quality, hypothesis 1 and hypothesis 2 conclusion test passed.

Table 5 Regression results of robustness tests

	(1)	(2)	(3)	(4)
VARIABLES	absDA2	CompAcct4	absDA2	absDA
Treat*Post	0.5791*** (12.853)	-0.0017*** (-5.973)	0.5598*** (12.446)	
CompAcct4			11.2616*** (-8.234)	
Treat				-0.0076*** (-3.823)
Post2				0.0011 (0.471)
control variable	containment	containment	containment	containment
Constant	-0.0477*** (-3.077)	-0.0078*** (-14.623)	-0.1350*** (-6.444)	0.1913*** (10.168)
Observations	7,511	7,511	7,511	7,511
R-squared	0.143	0.258	0.157	0.117
year & ind	YES	YES	YES	YES

## 5.2. Placebo Test

In order to test that the change in audit quality is indeed due to the implementation of the new revenue standard, the model is re-regressed by changing the timing of the implementation of the policy and implementing it 2 years earlier, i.e. in 2016. The results are shown in column (4) of Table 5, where the regression coefficients for Post2 are no longer significant, and are consistent with the main regression results by the placebo test.

## 6. Conclusion

Accounting standards and accounting systems are subject to change in line with economic development and changes in the political environment, such as the International Accounting Standards (IAS), which have been revised many times since their promulgation. And in recent years, China's accounting standards and accounting system have also been undergoing reforms, the implementation of the new income standards will have an impact on the quality of accounting information and external users, accounting firms as an external supervisory body, auditing in the promotion of clean government, to protect the interests of investors and the public, to maintain the order of the market economy, and to enhance the company's self-discipline and management capabilities, etc. have an increasing role, the study of the new Income Standards on audit quality



is of great significance. The article mainly discusses the theoretical and empirical aspects. Theoretically, the new revenue standards are more standardized and detailed to determine the boundaries of the time and scale of revenue recognition, more strict requirements for accounting entities to disclose the details of the relevant contracts, reducing the discretion of corporate accountants, management manipulation of financial statements has been suppressed to a certain extent, increasing the authenticity of the financial statements auditor collected information of higher quality, facing a reduction in the audit risk, which improves the quality of audit. Audit Quality. Empirically, the article is based on the data of listed companies in China from 2015 to 2019, using double difference models for regression to test the mechanism of the implementation of the new revenue standard on audit quality. Research conclusions are drawn: the implementation of the new revenue standard is conducive to improving audit quality; the implementation of the new revenue standard is conducive to improving the comparability of accounting information; the comparability of accounting information plays a mediating effect between the new revenue standard and audit quality. Based on the above conclusions, the article draws the following recommendations:

First, Chinese listed businesses should actively adapt to the new revenue criterion. Regulatory bodies should encourage enterprises to actively face the new changes brought about by the new revenue standards during the convergence process, so that they can better adapt to and implement the new revenue standards, and form high-quality accounting information to maintain the smooth development of the capital market.

Second, when selecting audit customers, accounting firms should choose enterprises with higher quality accounting information. Meanwhile, auditors should improve auditing quality by strengthening their professional quality, understanding and familiarizing themselves with the new concepts and requirements of the new regulations, and making judgments and reasonable evaluations in strict accordance with the new standards.

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